

2023-27 Transmission Revenue Reset

AER Public Forum

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Introduction



External Changes since the Draft Decision

Since the Draft Decision, there have been significant announcements and developments for the Victorian transmission system including:

- **New AEMO demand forecasts** outlining both higher maximum demands and materially lower minimum demands on the Victorian network
- The release of the Victorian Government's \$1.6 billion clean energy package in November 2020 and the **Renewable Development Plan** (RDP) in February 2021.
- The formation of a new entity **VicGrid** tasked with coordinating the overarching planning and development of Victorian renewable energy zones.
- Interaction of the RDP with the new iteration of the **Interconnected System Plan** (ISP) released in July 2020.
- Early **closure of the Yallourn Power Station** in 2028.
- Significant changes to rates, taxes and AEMO fees.

Customer engagement



Developing Our Post-Lodgement Engagement Program: A Collaborative Approach

Format

Collaborative Workshops: Stakeholders wanted short (2 hour) collaborative workshops at regular intervals with clearly-defined agendas (so stakeholders could choose which sessions to attend).

Continuing Existing Activities: AusNet and stakeholders agreed that the Customer Advisory Panel would continue to meet and our proposal would continue to be discussed with AusNet's Customer Consultative Committee throughout the development of AusNet's revised proposal.

Collaborative Workshop Topics

In **Workshop 1**, we asked which topics stakeholders were most interested in exploring in more depth, and followed this up with a survey to inform the design of the program. Both stakeholders and AusNet suggested potential engagement topics.

Stakeholders told us they wanted to discuss...



Coordination between AusNet, AEMO and VicGrid

Discussed in Workshop 2



Renewable Energy Zones (REZ) Development Plan and the ISP

Discussed in Workshop 2



Declining system strength

Discussed in Workshops 3 and 3b



Early closure of Yallourn Power Station

Discussed in Workshop 4



Updated demand forecasting and market modelling

Discussed in Workshop 4



Market Impact Component incentive scheme and operating expenditure

Discussed in Workshop 5

Engagement Timeline

Engagement Activities



Key Deliverables

Stakeholder Response

We've had very encouraging feedback from stakeholders on AusNet's post-lodgement engagement program.

What worked well? Stakeholders told us they liked:

- AusNet's willingness to adapt the program and add additional sessions as required
- the engaging format (being regular 2-hour workshops on specific topics), and for using a format that is respectful of stakeholders' time
- AusNet's willingness to discuss tough topics and our openness and honesty during these conversations
- the workshops striking the right balance between being informative and collaborative, and providing participants with the background knowledge needed to participate effectively
- the iterative approach and AusNet's genuine commitment to responding to feedback and reflecting stakeholder input in its proposal.

How can AusNet improve? Stakeholders suggested:

- that AusNet send slide packs out earlier to allow those who want to prepare for a meeting with time to do so.
- Keep the conversation going.

What we heard

Stakeholders were clear that they wanted to focus on:

- Ensuring efficient and transparent coordination of the investments proposed by the various planners and Governments with AusNet's replacement and maintenance activities;
- Avoiding duplication and over investment in long term solutions to potentially transitory problems;
- Maintaining the security of the system in the face of a deteriorating operational environment.



Keep costs
down



Maintain
Supply

AusNet Response



Capex Summary

Our Revised Proposal's capex forecast will address:

- Stakeholder and customer feedback on how new information should be reflected
- Concerns raised by the AER on two components of our Initial Proposal's forecast – the SW Comms Loop project and our proposed risk allowances for asset replacement programs

Interactions with the Integrated System Plan and the REZ Development Plan (RDP) will be addressed by ensuring our TRR replacement program:

- Account for synergies
- Ensuring there is no duplication of funding between the ISP, the RDP and our replacement program

Consistent with stakeholders' preference to pay for actual costs

- Allowances will not contain forecasts of uncertain costs such as system support costs
- AusNet will rely on cost pass through arrangements or contingent projects to recover these costs.

Opex Summary

▶ Our Revised Proposal's opex forecast will address:

- Concerns raised by the AER, on three of our opex step changes, in our Initial Proposal's forecast – cyber security, council rates and EPA.

▶ New costs from external factors and recent announcements:

- AEMO's participant fees – to recover our forecasted allocation of AEMO's core NEM fees.
- State budget 2021-22 announcements – the new Mental Health and Wellbeing Levy and increases to land tax.
- Phasor Monitoring Units (PMUs) – we are currently in discussions with AEMO on a draft Notice to install new PMUs on our network.
- Bushfire insurance premiums – to manage expected increases to our bushfire liability insurance.

▶ Consistent with stakeholders' feedback:

- Stakeholders and customers appear to understand and accept the need for the new costs.
- We have not proposed a step change for network support costs – instead, we will rely on cost pass through arrangements to manage the risks.

Other elements of the Draft Decision



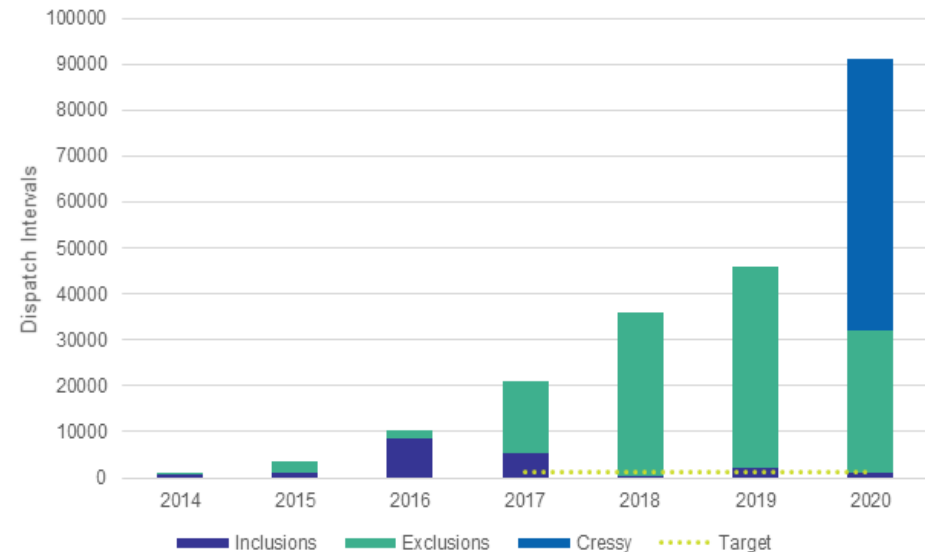
► Incentives

- › **\$40M opex efficiency** and **\$5M capex efficiency** payments approved, reflecting efficiency improvements over 2017-20.
- › The recent deterioration in system strength means the **Market Impact Component** incentive (which rewards us for outage management to minimise impacts on the wholesale market) needs a sensible exclusion regime to remain workable.
 - We are engaging with the AER and stakeholders on this issue.

► Cost Pass Throughs

- › Most proposed cost pass through events approved (including a new “**Victorian Energy Minister’s power to direct augmentation event**”) but rejected:
 - **Contamination remediation event**
 - **Major cyber event**

Market Impact Component –
Counted Dispatch Intervals



AER Draft Decision Comparison with AusNet's Revenue Proposal

